

## FFBH Vostok

December 2015

Data as per 30 December 2015

| NAV           |             | Return (%)                    |         | Statistics (%)                 |        |
|---------------|-------------|-------------------------------|---------|--------------------------------|--------|
| NAV           | BGN 523,835 | Monthly (MoM)*                | -9.48%  | Standard Deviation*            | 22.35% |
| NAV per share | BGN 0.5354  | Annual (YoY)*                 | 17.23%  | Monthly alpha – MSCI Russia *  | 2.39%  |
|               |             | Year-to-date*                 | 17.23%  | Beta (β) – MSCI Russia *       | 0.700  |
|               |             | Since Inception (annualized)* | -10.36% | R <sup>2</sup> – MSCI Russia * | 63.60% |
|               |             |                               |         | Sharpe Ratio (0%)*             | n.m.   |

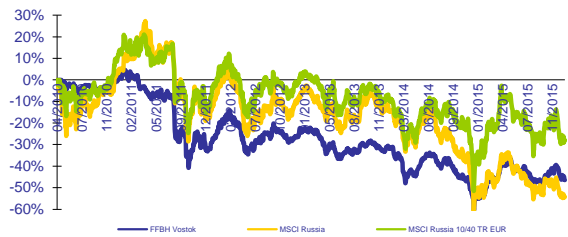
\* Stats based on standard deviation are not published during the first year of existence; for methodologies see notes

### Investment objective overview

FFBH Vostok is a high-yield, actively managed, open-end mutual fund with regional focus on Russia & CIS, inception on Apr 16, 2010. The Fund's investment objective is to achieve high long-term growth, outperforming MSCI Russia Index and bearing medium to high levels of risk. The Fund may have up to 95% in equities and up to 50% invested in bonds.

FFBH Vostok's targets conservative allocation to equities in start 2015 – stock picking state independent "blue-chip" companies, benefitting on cheap Russian ruble.

### FFBH Vostok vs. MSCI Russia 10/40 EUR



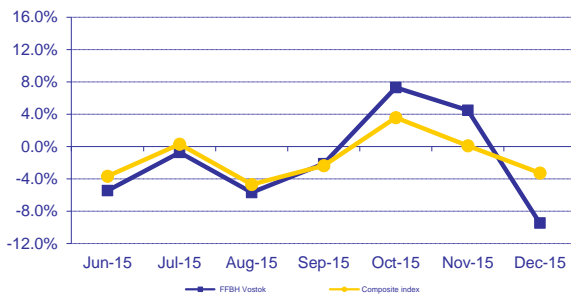
Source: Bloomberg, BSE-Sofia, FFBH Asset Management

### Fact sheet and fee information

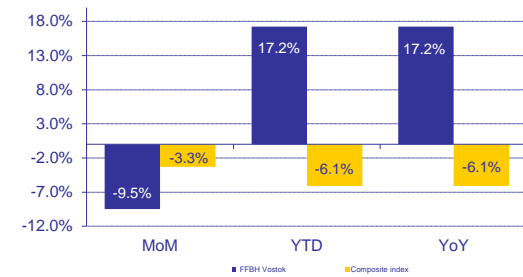
|                            |                       |  |                   |                       |
|----------------------------|-----------------------|--|-------------------|-----------------------|
| Type                       | Open-end equity fund  | Subscription*                            | up to BGN 100,000 | more than BGN 100,000 |
| Classification             | High-yield fund       | Entry fee                                | 0.50%             | 0.00%                 |
| Manager                    | FFBH Asset Management | Holding Period                           | up to 24 months   | over 24 months        |
| Custodian                  | First Investment Bank | Redemption fee                           | 0.50%             | 0.00%                 |
| Subscriptions/ Redemptions | Every Business Day    | Management fee (annual % of average AUM) |                   | 2.50%                 |
| Incorporation              | Bulgaria              |  |                   |                       |

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

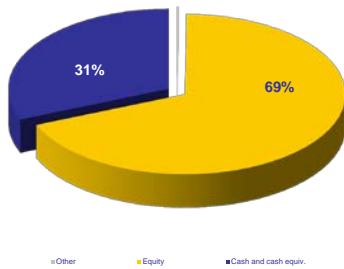


### MoM, YoY and YtD return to composite index\*



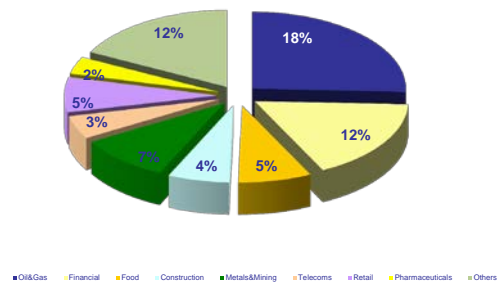
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Avangard

December 2015

Data as per 30 December 2015

| NAV           |               | Return (%)                   |        | Statistics (%)                |        |
|---------------|---------------|------------------------------|--------|-------------------------------|--------|
| NAV           | BGN 1,216,418 | Monthly (MoM)*               | -1.38% | Standard Deviation*           | 10.67% |
| NAV per share | BGN 0.5116    | Annual (YoY)*                | -3.61% | Monthly alpha – MSCI EM EE *  | 8.13%  |
|               |               | Year-to-date*                | -3.61% | Beta (β) – MSCI EM EE *       | 0.222  |
|               |               | Since Inception (annualized) | -7.93% | R <sup>2</sup> – MSCI EM EE * | 28.10% |
|               |               |                              |        | Sharpe Ratio (0%)*            | -0.04  |

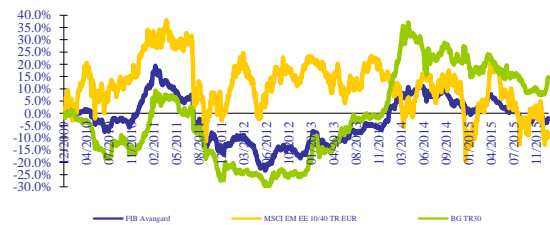
\* see notes

### Investment strategy

FIB Avangard is a high-yield, actively-managed, mutual fund, inception on Nov 11, 2007, whose investment objective is to achieve high long-term growth, bearing medium to high levels of risk. Its portfolio is allocated in Emerging Europe equity with focus on Bulgarian and Russian companies. Tactically, part of its portfolio might be allocated in capital markets that are expected to be among top-performing global regions.

FIB Avangard's investment strategy for 2015 includes high allocation to liquid and financially stable Bulgarian companies, some allocation to developed markets blue chips on valuations and easy global monetary policy.

### FIB Avangard vs. MSCI EM EE 10/40



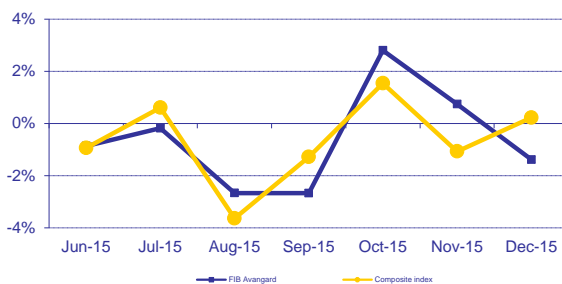
Source: Bloomberg, BSE-Sofia, FFBH Asset Management

### Fact sheet and fee information

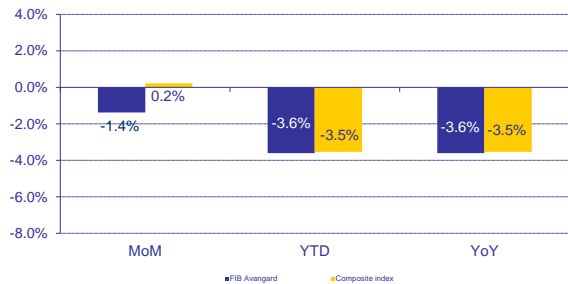
|                            |                       |  |                   |                       |
|----------------------------|-----------------------|--|-------------------|-----------------------|
| Type                       | Open-end equity fund  | Subscription*                            | up to BGN 100,000 | more than BGN 100,000 |
| FSC Classification         | High-yield fund       | Entry fee                                | 0.50%             | 0.00%                 |
| Manager                    | FFBH Asset Management | Holding Period                           | up to 24 months   | over 24 months        |
| Custodian                  | First Investment Bank | Redemption fee                           | 0.50%             | 0.00%                 |
| Subscriptions/ Redemptions | Every Business Day    | Management fee (annual % of average AUM) |                   | 3.00%                 |
| Incorporation              | Bulgaria              |  |                   |                       |

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

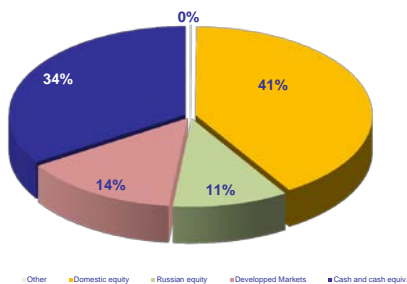


### MoM, YoY and YTD return to composite index\*



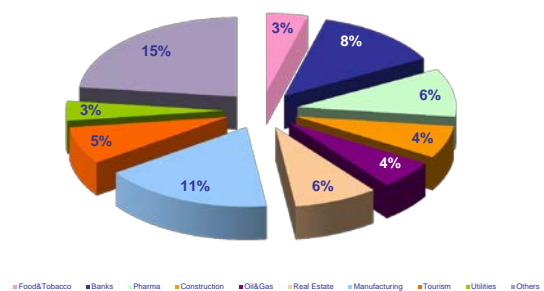
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Classic

December 2015

Data as per 30 December 2015

| NAV           |               |
|---------------|---------------|
| NAV           | BGN 1,155,297 |
| NAV per share | BGN 0.7918    |

| Return (%)                   |        |
|------------------------------|--------|
| Monthly (MoM)*               | -0.16% |
| Annual (YoY)                 | 2.23%  |
| Year-to-date                 | 2.23%  |
| Since Inception (annualized) | -2.84% |

| Statistics (%)                |        |
|-------------------------------|--------|
| Standard Deviation*           | 6.43%  |
| Monthly alpha – MSCI EM EE *  | 9.35%  |
| Beta (β) – MSCI EM EE *       | 0.137  |
| R <sup>2</sup> – MSCI EM EE * | 29.30% |
| Sharpe Ratio (0%)*            | 0.21   |

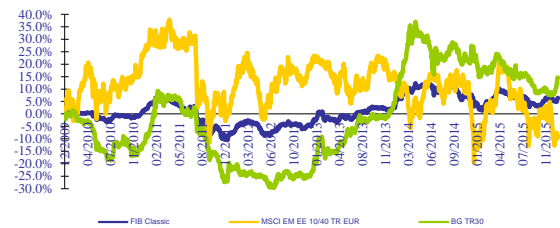
\* see notes

### Investment strategy

FIB Classic is a balanced mutual fund, incepted on Nov 11, 2007, whose investment objective is to achieve long-term growth of Fund's assets, bearing medium levels of risk to its investors. The Fund invests in Emerging Europe equities and bonds.

FIB Classic's investment strategy for 2015 is based on more equity-focused approach by holding equity allocation close to fund's limits. Equities will be concentrated in both Bulgaria on fundamental and sentiment improvement. Some European allocation is accepted in high-yield dividend "blue chips". Bond portfolio is allocated both in emerging market sovereign debt and domestic and foreign corporate bonds.

### FIB Classic vs. MSCI EM EE 10/40



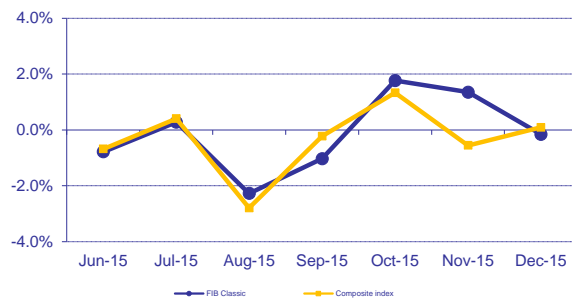
Source: Bloomberg, BSE-Sofia, FFBH Asset Management

### Fact sheet and fee information

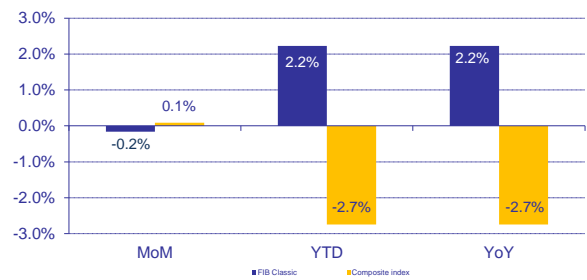
|  |                             |  |                   |                       |
|--|-----------------------------|--|-------------------|-----------------------|
| Type                                     | Open-end equity fund        | Subscription*                            | up to BGN 100,000 | more than BGN 100,000 |
| Classification                           | Balanced fund               | Entry fee                                | 0.35%             | 0.00%                 |
| Manager                                  | FFBH Asset Management       | Holding Period                           | up to 24 months   | over 24 months        |
| Custodian                                | First Investment Bank       | Redemption fee                           | 0.35%             | 0.00%                 |
| Subscriptions/ Redemptions Incorporation | Every Business Day Bulgaria | Management fee (annual % of average AUM) | 2.50%             |                       |

\* Minimum subscription is BGN 50

### MoM return comparison to composite index\*

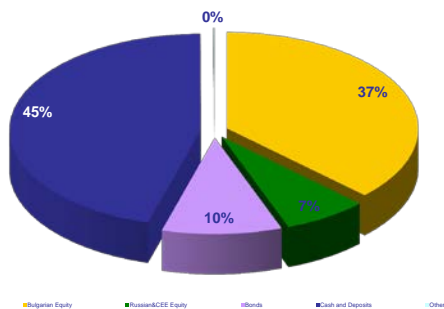


### MoM, YoY and YtD return to composite index\*



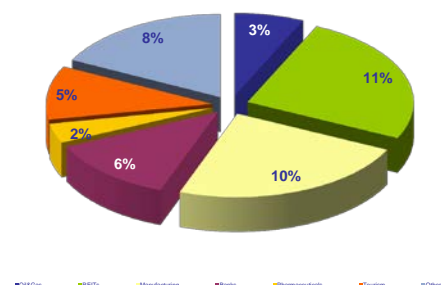
Source: BAAMC, FFBH Asset Management calculations

### Asset Allocation



Source: FFBH Asset Management

### Equity Portfolio



Source: FFBH Asset Management

## FIB Garant

December 2015

### Data as per 30 December 2015

| NAV           |             |
|---------------|-------------|
| NAV           | BGN 797,084 |
| NAV per share | BGN 1.2252  |

\* see notes

| Return (%)                    |       |
|-------------------------------|-------|
| Monthly (MoM)*                | 0.73% |
| Annual (YoY)*                 | 2.84% |
| Year-to-date*                 | 2.84% |
| Since Inception (annualized)* | 2.53% |

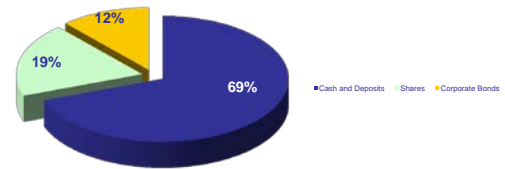
| Statistics (%)      |       |
|---------------------|-------|
| Standard Deviation* | 2.50% |
| Sharpe Ratio (0%)*  | 1.59  |
| Interest rates (%)  |       |
| Sofibor (3 month)   | 0.43% |
| Sofibor (12 month)  | 1.36% |

### Yield on selected Bulgarian treasuries (%)

| Type     | Coupon | Maturity (dd/mm/yy) | Currency | Yield |
|----------|--------|---------------------|----------|-------|
| Treasury | 4.00%  | 30-03-16            | EUR      | 0.13% |
| Eurobond | 4.25%  | 09-07-17            | EUR      | 0.08% |
| Eurobond | 2.00%  | 26-03-22            | EUR      | 1.70% |
| Eurobond | 2.95%  | 03-09-24            | EUR      | 2.44% |
| Eurobond | 2.63%  | 26-03-27            | EUR      | 2.81% |
| Eurobond | 3.13%  | 26-03-35            | EUR      | 3.71% |

Source: Bloomberg

### Asset Allocation



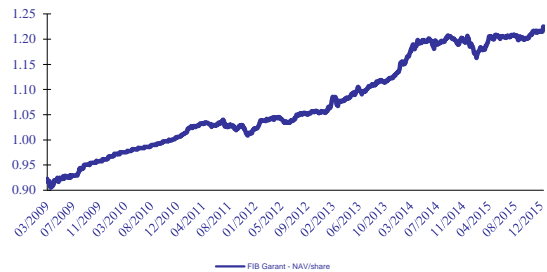
Source: FFBH Asset Management

### Investment objective

FIB Garant is a conservative balanced mutual fund, inception on Nov 11, 2007, whose investment objective is to achieve medium long-term growth of assets, bearing low level of risk. The Fund invests mainly in fixed-income instruments, but it may have up to 20% exposure to equity used to improve its risk-return profile.

FIB Garant's 2015 investment strategy includes significant allocation to equities on valuations and sentiment improvement on BSE . At certain points investments in foreign large cap blue chips can be made but currency risk should be controlled. The decrease in local deposit rates would also lead to an increase the Fund's exposure to foreign corporate and sovereign bonds.

### FIB Garant

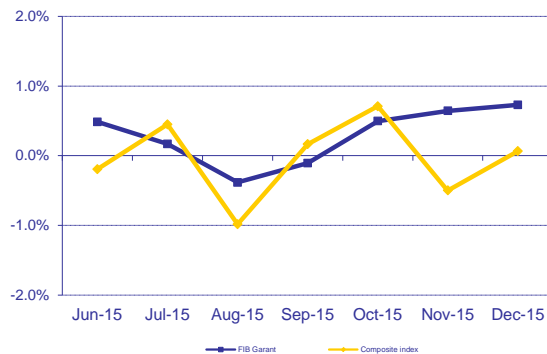


Source: FFBH Asset Management

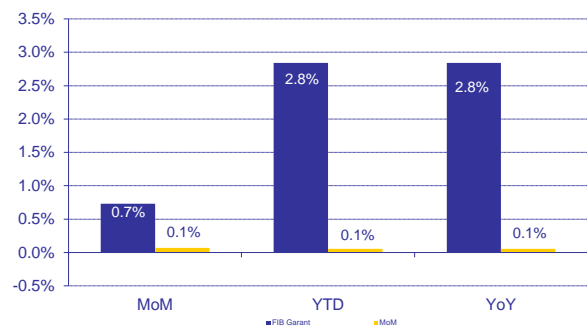
### Fact sheet and fee information

|                            |                       |  |                   |                       |
|----------------------------|-----------------------|--|-------------------|-----------------------|
| Type                       | Open-end equity fund  | Subscription*                            | up to BGN 100,000 | more than BGN 100,000 |
| Classification             | Balanced-conservative | Entry fee                                | 0.15%             | 0.00%                 |
| Manager                    | FFBH Asset Management | Holding Period                           | up to 24 months   | over 24 months        |
| Custodian                  | First Investment Bank | Redemption fee                           | 0.15%             | 0.00%                 |
| Subscriptions/ Redemptions | Every Business Day    | Management fee (annual % of average AUM) |                   | 1.50%                 |
| Incorporation              | Bulgaria              | * Minimum subscription is BGN 50         |                   |                       |

### MoM return comparison to composite index\*



### MoM, YoY and YTD return to composite index\*



Source: BAAMC, FFBH Asset Management calculations

## **PORTFOLIO MANAGER'S COMMENT December 2015**

### **MARKET OVERVIEW:**

- Global equity markets were mostly down in December. Developed Europe underperformed after the European central bank failed to expand its stimulus program in line with market expectations. US markets managed to recover mid-month losses by the end of the year following the first rate rise in almost a decade while Asia and other emerging markets lost ground mainly on concerns about China and the Federal Reserve's move. MSCI Eastern Europe ex Russia lost around 10% prior to the FED's move before recovering some of the losses in an end-of-year rally to end 2015 down 9.5%.
- In contrast with the rest of the world, BSE indices ended December in positive territory with the main index SOFIX gaining 5.27%. Despite the surprise on the upside the Bulgarian benchmark lost 11.82% year on year.
- In December oil continued its steep decline losing 10% on oversupply concerns and worries about the state of the global economy. Gold was flat for the month after dipping to its lowest levels in 5 years in line with weakness of commodity prices across the board.
- The Federal Reserve chairwoman Janet Yellen signaled a gradual data-dependent path of rate rises in 2016, helping to calm market anxiety about the historic rate move. Despite US inflation being below the 2% target for the past 3 years Yellen reaffirmed her confidence that inflation would return to the 2% objective after transitory effects of low oil prices dissipate in 2016.

### **PORTFOLIO ALLOCATIONS:**

#### **FFBH Vostok**

- FFBH Vostok underperformed its benchmark losing 9.48% in December. Equity allocated stood at 69%.

#### **FIB Avangard**

- FIB Avangard failed to replicate Sofix's strong December gains, finishing the month down 1.38%. Equity allocation was 64%.

#### **FIB Classic**

- FIB Classic was mostly flat for the month, down 0.16%. Equity allocation was 44%.

#### **FIB Garant**

- FIB Garant outperformed its benchmark gaining 0.73% in December. Equity allocation was 19%.

### **OUTLOOK & STRATEGY:**

- 2016 has already started with an equity market decline and rise in volatility. We expect volatility to persist during the entire month led by the Chinese market sell-off and the major drop in oil prices. The weak global economic prospects and the deflationary environment are not helping equity prices either as they are putting brakes on the corporate earnings growth. The elevated valuations imply significant growth expectations which are difficult to achieve in the current environment. That said we believe that currently the downside risks are more distinct than price appreciations.
- Even though Bulgarian equity market has not been showing notable correlation with the global markets over the last years, it cannot remain detached from the rest of the world. We expect BSE to lose value in the beginning of the year, especially after the revaluations induced market rise at the end of 2015.
- The Russian market is also likely to experience a difficult start of the year as the oil is heading to a new multi-year low. On one side, a large part of the Russian equity market is represented by energy companies and on the other the rouble depreciation is increasing the negative returns in Euro terms.
- We are watching closely the market developments and if the market sell-off continues we might increase developed European equities as we will focus on value companies and dividend paying stocks.

## NOTES

Monthly return /MoM/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the previous month.

Annual return /YoY/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the same month a year ago.

Year-to-date return /YtD/ is calculated as the ratio between the NAV/share as per the report date and the NAV per share on the last working day of the previous year.

Standard deviation is the annualized standard deviation of the weekly return over the last five years or since inception, whichever is smaller.

*FIB Avangard*: Monthly Alpha – MSCI EM EE is the difference between the monthly return of NAV per share of FIB Avangard and the monthly return of MSCI EM Eastern Europe 10/40 Total Return EUR Index.

*FIB Classic*: Monthly Alpha – MSCI EM EE is the difference between the monthly return of NAV per share of FIB Classic and the monthly return of MSCI EM Eastern Europe 10/40 Total Return EUR Index.

*FFBH Vostok*: Monthly Alpha – MSCI Russia is the difference between the monthly return of NAV per share of FFBH Vostok and the monthly return of MSCI Russia 10/40 Total Return EUR Index.

*FIB Avangard*: Beta ( $\beta$ ) – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

*FIB Classic*: Beta ( $\beta$ ) – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Classic and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

*FFBH Vostok*: Beta ( $\beta$ ) – MSCI Russia has been calculated using the weekly returns of NAV per share of FFBH Vostok and MSCI Russia 10/40 Total Return EUR Index over the last five years or since inception, whichever is smaller.

*FIB Avangard*: R2 – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Avangard and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

*FIB Classic*: R2 – MSCI EM EE has been calculated using the weekly returns of NAV per share of FIB Classic and MSCI EM Eastern Europe 10/40 Total Return EUR Index over the last five years or since benchmarking to this index, whichever is smaller.

*FFBH Vostok*: R2 – MSCI Russia has been calculated using the weekly returns of NAV per share of FFBH Vostok and MSCI Russia 10/40 Total Return EUR Index over the last five years or since inception, whichever is smaller.

Sharpe Ratio for all funds has been calculated using the weekly returns of NAV per share of each fund over the last five years or since the inception of the fund, whichever is smaller, and using 0% as risk-free return.

*FIB Avangard*: Composite Index is composed of 15 mutual funds that apply similar investment strategy to FIB Avangard and measures their equal-weighted return.

*FIB Classic*: Composite Index is composed of 18 mutual funds that apply similar investment strategy to FIB Classic and measures their equal-weighted return.

*FIB Garant*: Composite Index is composed of 7 mutual funds that apply similar investment strategy to FIB Garant and measures their equal-weighted return.

*FFBH Vostok*: Composite Index is composed of 8 mutual funds that apply similar investment strategy to FFBH Vostok and measures their equal-weighted return.

The Index are calculated in a standardized way, using the MoM, YoY and YtD returns of each fund ( $R_i$ ,  $i=1$  to  $n$ ), based on formula:  $\sum (1/n \cdot R_i)$ , where  $n$  is the number of mutual funds, using similar strategies.

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